

Message Text

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PAGE 01 STATE 001272

43

ORIGIN TRSE-00

INFO OCT-01 ARA-06 ISO-00 EB-07 AGR-05 CIAE-00 COME-00

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DRAFTED BY TREAS:POSUCHMAN

APPROVED BY EB/OT/STA:WCLARK, JR.

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P 032010Z JAN 75

FM SECSTATE WASHDC

TO AMEMBASSY BUENOS AIRES PRIORITY

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E.O. 11652: N/A

TAGS: ETRD, AR

SUBJECT: COUNTERVAILING DUTIES: ARGENTINE FOOTWEAR

REF: A) BUENOS AIRES 09284; B) BUENOS AIRES 06847;

(C) STATE 207458

1. FOLLOWING IS TREASURY REACTION TO QUESTIONS RAISED BY
VARTALITIS AND REPORTED BY REF (A).

A. THE OBJECTIVES IN PARA. 2 OF REF (A) ARE VIRTUALLY
IDENTICAL TO THE PROPOSAL TO CREATE A SPECIAL FUND
PRESENTED TO THE USG IN THE GOA SUBMISSION SEPT. 16, 1974,
REF (B). AT THAT TIME, TREASURY EXPLAINED TO ARGENTINE
EMBASSY OFFICIAL AND TO UNDER SECRETARY VARTALITIS IN
WASHINGTON THAT NO PROGRAM WHICH WOULD CONTINUE TO BESTOW
BOUNTIES OR GRANTS, DIRECTLY OR INDIRECTLY, ON THE FOOT-
WEAR INDUSTRY COULD BE ACCEPTED. GOA WAS INFORMED BY
REF (C) THAT THE SPECIFIC PROPOSALS FOR THE SPECIAL FUND
IN THE SEPTEMBER 16 SUBMISSION, WHICH ARE NOW PRESENTED
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PAGE 02 STATE 001272

AGAIN IN REF (A) WERE UNACCEPTABLE. OBJECTIVES SET FORTH

IN PARA. 2 OF REF (A), WHETHER GRANTED THROUGH A FINANCING PROGRAM OR OTHER GOVERNMENT PROGRAM, WOULD APPEAR TO BE FOR THE MOST PART BOUNTIES OR GRANTS WITHIN MEANING OF CVD LAW. FINAL JUDGEMENT AS TO WHETHER THIS IS THE CASE IMPOSSIBLE WITHOUT DETAILS, BUT GENERALLY ANY ACTIVITY ON THE PART OF CIFEN WHICH WOULD PROVIDE SERVICES OR GOODS

AT REDUCED COSTS, WHICH INDUSTRY WOULD OTHERWISE HAVE TO PURCHASE COMMERCIALY, WOULD RUN AFOUL OF LAW.

B. GOVERNMENT FINANCING OF AN INDUSTRY HAS BEEN CONSIDERED A BOUNTY OR GRANT WITHIN THE MEANING OF CVD LAW DEPENDING ON THE TERMS.

2. IT SHOULD BE EMPHASIZED TO GOA OFFICIALS THAT THE CENTRAL QUESTION THAT HAS NOT BEEN ANSWERED CONCERNS HOW CIFEN WILL OPERATE AS PURCHASER AND EXPORTER OF FOOTWEAR. SPECIFICALLY, WILL CIFEN BUY SHOES DOMESTICALLY AT A HIGHER PRICE THAN IT WILL SELL SHOES FOR EXPORT? WILL CIFEN BUY RAW MATERIALS (LEATHER) AT A HIGH PRICE AND RESELL TO FOOTWEAR MANUFACTURERS AT A LOW PRICE? WILL FOOTWEAR ACTIVITIES OF CIFEN OPERATE AT A PROFIT, A LOSS, OR BREAK EVEN? HOW WILL CIFEN BE FUNDED? IF IT OPERATES AS AN AGENT FOR THE TRANSFER OF FUNDS FROM THE ARGENTINE TREASURY TO THE FOOTWEAR INDUSTRY, NO SPECIAL PROCEDURES WILL PREVENT THE APPLICATION OF THE ADDITIONAL DUTIES CALLED FOR BY LAW.

3. TO AVOID CONFUSION, EMBASSY IS REQUESTED TO INFORM GOA AGAIN THAT ANY PROGRAM, REGARDLESS OF NAME, WHICH DIRECTLY OR INDIRECTLY BESTOWS A BOUNTY OR GRANT UPON THE MANUFACTURE, PRODUCTION, AND EXPORTATION OF NON-RUBBER FOOTWEAR WILL BE COUNTERVAILABLE.

4. TO ILLUSTRATE LACK OF FLEXIBILITY ON PART OF USG TO DEAL WITH THIS CASE, EMBASSY MAY POINT OUT THAT FINAL VERSION OF TRADE ACT PASSED BY CONGRESS AND AWAITING PRESIDENTIAL SIGNATURE SPECIFICALLY PROHIBITS USE OF TEMPORARY DISCRETIONARY PROVISION IN COUNTERVAILING DUTY LAW AMENDMENTS IN ANY PENDING FOOTWEAR CASE. THIS IS LIMITED OFFICIAL USE

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PAGE 03 STATE 001272

ONLY INSTANCE IN ENTIRE BILL WHICH MENTIONS A SPECIFIC PRODUCT, AND IS ILLUSTRATIVE OF DETERMINATION IN CONGRESS THAT SUBSIDIZED FOOTWEAR EXPORTS TO U.S. CEASE.

5. GIVEN STRICTURES OF NEW BILL, CONTINUING PRESSURE FROM INDUSTRY, AND CONGRESSIONAL INTEREST, GOA SHOULD BE AWARE THAT TIME FOR THEM TO ANSWER QUESTIONS RE CIFEN OPERATIONS, AS SET FORTH IN PARA, 2 ABOVE, IS FAST

RUNNING OUT. TREASURY IS EMBARKED ON CRASH PROGRAM TO
CLEAR UP ALL OUTSTANDING CVD CASES SO AS TO BE ABLE TO
HANDLE NEW CASES EXPEDITIOUSLY UNDER NEW TIME LIMITS.
IF GOA CONTINUES TO BE UNABLE TO SUPPLY THESE ANSWERS
TREASURY WILL BE COMPELLED TO DECIDE CASE ON "BEST INFORMA-
TION AVAILABLE" AND ESTIMATE ADDITIONAL DUTIES TO BE
IMPOSED. KISSINGER

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Message Attributes

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